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INTRODUCTION

The Branch County Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Branch County FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. Branch County FOC billed FIA monthly under the actual cost reimbursement billing method. The FIA reimbursed Branch County for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Branch County FOC for the period January 1, 1997 through December 31, 1997. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Branch County FOC overbilled the FIA for some items and was underpaid for others. The State share of the net amount overbilled is \$2,982 (See Schedule A.) We also found that the related revenue did not offset certain costs contained in the County's indirect cost plan.

Our report recommends the Family Independence Services Administration initiate the process to recoup \$2,982 from the Branch County FOC, and review the 1997 Branch County indirect cost plan to ensure that revenue received is offset against the costs.

FOC RESPONSE

The Branch County FOC agrees with all findings. The Branch County FOC informed us that the preparer of the 1997 indirect cost plan will revise it to comply with the requirements regarding costs and applicable credits. The FOC also informed us that they will now maintain monthly postage logs to document postage costs on a direct basis.

FINDINGS

Overpaid/Underpaid

1. The Branch County FOC was underpaid by FIA in June 1997 by \$146 for other direct costs. (See Schedule A.)

Audit Cost Billed Directly and Included in Central Services

2. The Branch County FOC overbilled the FIA \$787 for audit costs. The audit costs were included in the indirect cost plan and billed as part of Central Services. Audit costs were also billed directly as part of other direct costs. The same cost cannot be billed both indirectly and directly. The audit costs billed as part of Central Services are disallowed. (See Schedule A.)

Postage Billed in Central Services not Offset by Revenue

3. The Branch County FOC overbilled the FIA \$2,944 for postage costs. The Branch County FOC billed the postage costs as part of Central Services. Branch County however, received revenue, which should have offset the postage costs. The Federal

Office Of Management and Budget Circular No. A-87 (Circular A-87), Attachment A, C3. requires cost to be net of applicable credits. (See Schedule A.)

Copy Charges Billed in Central Services not Offset by Revenue

4. The Branch County FOC overbilled the FIA \$266 for copy costs. The Branch County FOC billed the copy costs as part of Central Services. Branch County, however, received revenue, which should have offset the copy costs. (Circular A-87), Attachment A, C.3 requires cost to be net of applicable credits. (See Schedule A.)

Difference Between General Ledger and Billing

5. The Branch County FOC overbilled the FIA \$427 because the reported other income was less than the other income included in the general ledger. The general ledger is a source document for the billings. (See Schedule A.)

Indirect Cost Plan

6. The Branch County 1997 indirect cost plan (used to bill 1999) contains costs, which could result in the overbilling of Central Services costs in 1999. The questioned costs are described below:

The Branch Coty FOC indirect cost plan contains costs for fringe benefits, copies, audit and postage. The Financial Statements contained revenue for postage, audit and copies. The revenue amounts listed above did not appear to be offset against the costs. Circular A-87, Attachment A, C.3 requires costs to be net of applicable credits. Also, audit costs are billed directly and therefore no audit costs should be allowed in the indirect cost plan. (See also Findings' 2,3,4 above)

WE RECOMMEND the Family Independence Services Administration initiate the process to recoup \$2,982 from the Branch County FOC.

WE ALSO RECOMMEND the Family Independence Services Administration review 1997 Branch County indirect cost plan to ensure that any revenue is offset against the costs, and that audit costs are eliminated.

Finding #	Line Item	Year	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
1	Other Direct	1997		98.84%	\$ 146		
2	Central Services	1997	\$ (796)	98.84%	\$ (787)		
3	Central Services	1997	\$ (2,979)	98.84%	\$ (2,944)		
4	Central Services	1997	\$ (269)	98.84%	\$ (266)		
5	Other Income	1997	\$ (432)	98.84%	\$ (427)		
Grand Total of the IV-D Audit Adjustments					\$ (4,278)		
Calculation of the Payment Due the (State) County							
Audited IV-D Amount					443,885		
IV-D Amount Used for the Payments Actually Made					(448,163)		
IV-D Audit Adjustment Due (State) County					(4,278)	69.71%	(2,982)